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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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**T H E   W E E K   I N   B R I E F****PART I****OF IMMEDIATE INTEREST****EAST-WEST NEGOTIATIONS . . . . . Page 1**

The USSR has stood firm in conference sessions on its position on Berlin and a German peace treaty. Soviet delegates have expressed optimism that progress will be made in private negotiations. A member of the Soviet delegation has suggested that the ministers in the next two weeks could work out arrangements on a cessation of nuclear tests, Berlin, and an all-German committee for final approval at a summit meeting. Before departing for his state visit to Albania, Khrushchev expressed the hope [redacted] the ministers could reach agreement on certain points which could lead to a detente, especially in the disarmament field; he added that the foreign ministers' conference should not obstruct a summit meeting. [redacted]

**MIDDLE EAST HIGHLIGHTS . . . . . Page 3**

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The Iraqi Communists have retreated somewhat on their demands for legitimization of party activity and representation in the cabinet, but their disagreement with Qasim persists because of their stand that party activity should continue. Qasim has said publicly such activity could "unintentionally" endanger the safety of the republic.

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Israel is making strong representations over the UAR seizure of a Danish vessel which attempted to carry Israeli cargo through the Suez Canal. [redacted]

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**LAOS . . . . . Page 6**

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Laotian Army troops are attempting to contain the rebellious Pathet Lao battalion and prevent it from retreating to the North Vietnamese border. An increasingly tense atmosphere is developing, and the government

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may try to wipe out the battalion and to suppress the domestic Communist front, the Neo Lao Hak Zat (NLHZ).

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North Vietnam and Communist China continue propaganda attacks on the Laotian Government, accusing it of instigating civil war, and they maintain their demands for the recall of the International Control Commission to Laos.

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**PART II****NOTES AND COMMENTS****NEW SOVIET TRADE GAINS IN WESTERN EUROPE . . . . . Page 1**

The USSR has scored two important economic gains in Western Europe. It has secured its first formal trade agreement with Britain. At the same time, the issue of credits in trade with the Soviet Union has been given new impetus, not only by London's reaffirmation that these are available to the USSR, but by new Soviet successes in obtaining them from Germany and probably the Netherlands as well.

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**FURTHER DEVELOPMENTS IN THE "CULT OF KHRUSHCHEV" . . . . . Page 2**

Public praise for Khrushchev has become increasingly lavish in recent weeks. His stature as a theoretician, expert in many fields, and World War II military figure is being enhanced, with the result that an idealized image of him as charismatic leader of the Soviet people is being created. This build-up, apparently having achieved a momentum of its own, probably cannot be stopped, short of clear and explicit instructions from Khrushchev himself.

**THIRD USSR WRITERS' CONGRESS ENDS . . . . . Page 3**

The Third USSR Writers' Congress, which closed in Moscow on 23 May, made clear the regime's renewed demand that Soviet writers confine themselves to arousing popular enthusiasm for Soviet achievements and inspiring hope for the Communist future. In his speech to the congress, Khrushchev bluntly warned that Soviet writers may not arrogate to themselves the party's exclusive right to identify those aspects of Soviet society that need reform. In effect, criticism and the impetus to reform must come from above, not below. The replacement of A. Surkov by

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K. Fedin as head of the USSR Writers' Union suggests that the new leadership may be more tactful but will be fully as conformist to regime demands as its predecessor.

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**MORE BLOC ECONOMIC COOPERATION THROUGH CEMA . . . . . Page 3**

The 11th plenary session of the bloc Council for Mutual Economic Assistance (CEMA), held in Tirana from 13 to 16 May, proposed the linking of electric power systems, set lines of specialization for the chemical equipment industries and additions to steel production, and coordinated satellite economic plans for 1961-65. Revealing sensitivity to possible charges that it dominates an economic bloc, Moscow has explicitly denied that CEMA plays a supranational role, and the organization has taken great pains to stress the independence and equality of its members.

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**EAST GERMANY MAY MOVE AGAINST BERLIN SECTOR "BORDER CROSSERS" . . . . . Page 4**

The East German regime may be preparing a drive against the estimated 40,000 persons who live in East Berlin and work in the Western sector of the city. The East German Government has charged that many of these "border crossers" are engaged in illegal currency manipulations and in smuggling of goods in both directions. An all-out campaign at this time would not be in the Communists' interests, however, since it would tend to increase tensions and emphasize a determination to abrogate the four-power status of the city by unilateral action.

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**SITUATION IN TIBET . . . . . Page 5**

Communist military units are moving against guerilla bands. A directive issued in Lhasa on 22 May indicates that the Chinese Communists are increasing pressure on Tibetans to accept "democratic reforms." Indian officials have no hope the Dalai Lama will ever return to Lhasa in a status comparable to that he held before his flight, and his presence in India is viewed as a continued irritant to Sino-Indian relations.

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**PROSPECTS FOR CHINA'S STEEL INDUSTRY . . . . . Page 6**

Peiping is progressively curtailing the drive for small-scale iron and steel production launched with so much fanfare last fall and is directing its attention to the rapid construction of large, integrated iron and steel plants. The small-scale effort did not add appreciably to the total output of industrially acceptable

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steel, because the steel it did produce--almost one third of the total--was suitable only for remelting or local handicraft purposes. If the large new plants now on the books are finished on schedule, China by 1967 will be able to produce some 45,000,000 tons of steel annually and will probably have risen from seventh to third place among the world's steelmakers.

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## PEIPING TRYING TO INCREASE INFLUENCE IN NONBLOC COMMUNIST PARTIES . . . . . Page 8

The Chinese Communists have recently stepped up their contacts with foreign Communist parties and reportedly are seeking Moscow's acknowledgment of their "special role" in guiding Asian parties. Peiping's increased contacts have been open and embellished with formal communiqués, in contrast to a current tendency by Moscow to minimize or camouflage its influence over foreign parties.

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## CEYLONESE PRIME MINISTER'S POLITICAL POSITION . . . . . Page 10

The withdrawal of two extreme leftist cabinet ministers and ten parliamentary representatives from Ceylon's ruling coalition has confronted Prime Minister Bandaranaike with the immediate tasks of reorganizing his government and regaining a safe majority before Parliament reconvenes about 30 June. While he probably will be able to do this by winning the support of independent and Tamil representatives, his longer range problem of controlling a newly constituted coalition until the 1961 elections is likely to prove increasingly difficult.

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**FRANCE'S ALGERIAN POLICY . . . . . Page 12**

The Debré government has bowed to French National Assembly pressure for a debate on Algeria, but it has postponed discussion until 4 June, three days after President de Gaulle's scheduled public summation of his year in power. While Paris officials appear to have accepted the thesis of French Army commanders that a military victory in Algeria is in sight, there are continued rumors of an impending cease-fire. The senatorial elections in Algeria on 31 May will complete the selection of local representatives with whom De Gaulle had indicated he could discuss the area's future status.

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**FRENCH-TUNISIAN NEGOTIATIONS ON BIZERTE . . . . . Page 13**

Tunisia appears ready to discuss with France a provisional agreement which would regularize the status of the French base at Bizerte. Negotiations will be difficult, however, and could be disrupted at any time by a new incident involving restive French Army forces stationed at Bizerte or those operating along the Algerian-Tunisian border. If this happened, Tunisian President Bourguiba would probably renew his demand for the complete evacuation of the base and appeal to the US and the UN for support.

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**THE CUBAN AGRARIAN REFORM LAW . . . . . Page 15**

Moderates in the Cuban cabinet evidently oppose parts of Fidel Castro's drastic new agrarian reform law, and the minister of agriculture is reported ready to resign in protest. The version of the law unofficially published on 19 May has confiscatory aspects likely to impede Cuban

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economic recovery. It also gives sweeping powers to the National Agrarian Reform Institute, the organization charged with enforcing the law and at present under the direction of a pro-Communist. [REDACTED]

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**ARGENTINE GOVERNMENT UNDER HEAVY PRESSURES . . . . . Page 16**

The Argentine Government will be under heavy pressures for the next few months. A drop in real wages is anticipated, there is increased military discontent over labor agitation, and the Peronistas and Communists threaten to continue costly strikes and violence. Through his ban on all Communist activities and his cabinet reorganization in mid-May, President Frondizi hopes to reduce these pressures and improve administration of the US-backed stabilization program. [REDACTED]

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**THE SITUATION IN PORTUGAL . . . . . Page 17**

Portuguese political tensions, which were marked by a plot against the Salazar regime in early March, have relaxed somewhat recently. The government had made some personnel shifts and other moves to allay public criticism, and Premier Salazar is reported to be sounding out close associates on the naming of his eventual successor. Failure to resolve this problem fairly soon might revive factionalism among the armed forces and encourage a bid for power by leading military contenders. [REDACTED]

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**SICILIAN ELECTIONS . . . . . Page 18**

In Sicily, where dissident Christian Democrats have been participating in a Communist-supported coalition government, the regional elections on 7 June are likely to result in a gain of several assembly seats by the Communists and Nenni Socialists at the expense of the Christian Democrats. Right-wing opponents of former Premier Fanfani, in their effort to gain control of the national Christian Democratic party machinery, have encouraged the dissident tendency in Sicily and may even be willing to see the rise of a second and competing Catholic party. [REDACTED]

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**PART III****PATTERNS AND PERSPECTIVES****DOMESTIC PROBLEMS FACING THE IRANIAN REGIME . . . . . Page 1**

The Shah of Iran's problems in maintaining government stability are becoming increasingly complicated, but he believes the internal situation is under control. The

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## PART III (continued)

principal part of his reform program, which he originally began in order to buy time for his regime, has not yet been put into effect, and the large number of unfulfilled promises made by the government have caused many people to become implacably hostile to the regime. Soviet propaganda against the Shah is effective among the lower income groups and among the lower ranks of the armed forces.

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## UN EXPERIENCE WITH OBSERVER AND PATROL FUNCTIONS . . . . . Page 7 25X6

Many United Nations members look on the idea of injecting the UN into the Berlin situation as a kind of fallback position for avoiding an East-West clash. The UN has in the past ten years had extensive experience with observer and police duties--particularly in the Middle East--in disputes not directly involving one of the great powers. The success of these efforts has derived from the UN's ability to expose infractions and prevent small clashes from spreading. On the Berlin issue, Secretary General Hammarskjold believes the organization should confine itself to helping implement any agreement the West may reach with the USSR.

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## THE SOVIET CHEMICAL INDUSTRY . . . . . Page 10

The urgency which the Soviet Union attaches to the rapid expansion of the chemical industry has again been demonstrated by the announcement that the status of the industry will be discussed at next month's plenum of the central committee. Many problems, some already in evidence, must be overcome if the industry's goals for the next seven years--outlined a year ago in May at a central committee meeting--are to be achieved. The investment plan for the chemical industry in 1958, for instance, fell short of fulfillment by a considerable margin. The USSR

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has been attempting with some success for the last few years to purchase Western equipment and technological aid, without which it is unlikely to meet various Seven-Year Plan goals. [REDACTED]

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**MINORITY-LANGUAGE TRAINING IN THE USSR . . . . . Page 14**

The Soviet educational reorganization launched last fall is causing difficulties in important minority areas of the country. The increased vocational training now required must be absorbed in a curriculum already overtaxed by the policy of teaching both Russian and the minority language. The education laws enacted by most of the individual republics under the reorganization are forcing the students to choose between the cultural heritage of their native tongue and the educational and career advantages of knowing Russian. The public outcry against these changes is apparently as much a result of wounded national pride as opposition to the school reorganization itself.

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**PART I****OF IMMEDIATE INTEREST****EAST-WEST NEGOTIATIONS**

Soviet moves at Geneva last week were aimed at placing the USSR in the strongest possible position as the foreign ministers conference enters the private negotiations stage. In his statements at the sessions, Foreign Minister Gromyko gave no indication of any important changes in the Soviet position on Berlin and a German peace treaty. He continued to insist that a peace treaty is the principal problem before the conference. At the same time, however, Soviet spokesmen hinted at Gromyko's readiness to engage in serious private talks and singled out three issues--a nuclear test cessation, Berlin, and an all-German committee--as offering the best prospects for agreement.

final approval at a summit meeting. He said Gromyko had told him that, although the USSR would not take the initiative, it would favor secret talks and suggested that Britain or France might make such a proposal.

Gromyko's caution and reluctance probably reflected his belief that the side that assumes the initiative in proposing secret sessions will be placed at an immediate disadvantage by having to make the first suggestions for working out limited or interim solutions, especially on Berlin. The Soviet delegation's press spokesman claimed that British Foreign Secretary Selwyn Lloyd had taken the initiative on 26 May in arranging an agreement with Gromyko to hold a secret, restricted session on 29 May.

Hints from East German spokesmen may provide the first clue as to the line Gromyko will take in secret talks. According to press reports, the East Germans have passed word through their newsmen at Geneva that they would be willing to accept the status of Soviet agents in a new Berlin arrangement on condition that the West accept the principle of a free city status for West Berlin. The East Germans, however, said they would not accept any formal written agreement on agent status and suggested instead an informal "understanding" among the powers concerned. The East Germans endorsed some role for the United Nations in Berlin, but insisted that such a settlement must include elimination of Western propaganda and

**Private Talks**

Khrushchev's line was elaborated by the counselor of the Soviet Embassy in Paris who told an American official in Geneva on 21 May that the ministers during the next two weeks should be able to work out arrangements on a cessation of tests, on Berlin, and on an East-West German committee for

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intelligence activities based in West Berlin.

Nuclear Test Issue

Moscow's effort to create an impression of progress on the nuclear test questions was reflected in Khrushchev's remarks to visiting Western scientists on 20 May that he sees no obstacles to an early agreement. He said that "we shall be very glad if by the end of the year, it would be possible to achieve agreement in Geneva" on this question.

Soviet Pressure Tactics

While Soviet representatives stressed favorable aspects for agreement in private talks at Geneva, the USSR made further moves to bring pressure on the Western position. In his speech in Tirana on 26 May, Khrushchev reaffirmed the USSR's intention to sign a separate treaty with East Germany if the West refuses to conclude a treaty with both German states. He predicted that the West German leaders, after a while, would realize the need for a treaty and "they too will sign it."

On 23 May, Moscow delivered its second protest notes to Washington and Bonn about equipping West German forces with nuclear weapons. This was primarily designed to maintain pressure on the Western position by reiterating previous charges that such "unilateral" Western actions threaten the prospect for success in East-West negotiations.

Khrushchev's visit to Albania has served as the occasion for reiterating Soviet warnings against stationing missiles in Italy and Greece and proposals for a nuclear- and missile-free zone in the Balkans. His threat

to station missiles in Albania, Bulgaria, or other satellites was carefully stated as an action which "perhaps" might be necessary if plans for Western missile bases are carried out. He implied that in any event the USSR could retaliate with long-range missiles.

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Ulbricht's proposal for a nonaggression treaty between East and West Germany, made at the fifth plenum of the East German party central committee on 22-23 May, is apparently intended as a "constructive" initiative designed to increase East Germany's status at Geneva

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and put Bonn under pressure to negotiate directly with the Communist regime. East German Foreign Minister Bolz has brought up this proposal at Geneva, and the regime's propaganda media are already charging Bonn with "ill will" for failing to respond.

West Germany

In public statements reviewing the developments at Geneva, West German officials have adopted a stiffer attitude toward the West's making any substantial concessions for the purpose of justifying a summit conference. Foreign Minister Brentano on 22 May told press representatives that a "precondition" for a summit meeting would be a Soviet confirmation of the present legal status of Berlin. On 25 May, Bonn's press chief, Von Eckardt, took a similar position. Both Brentano and Von Eckardt stressed the possibilities of a failure in negotiations as a result of "further inflexible Soviet rejection" of discussion on German reunification.

In an apparent effort to counter Gromyko's repeated attacks on German militarism, Brentano indicated that Bonn might offer to conclude bilateral nonaggression pacts with Poland and Czechoslovakia. He said that this offer would depend on the "right moment" during the negotiations, and on Soviet acceptance of the basic features of the Western peace plan. The question of establishing formal diplomatic relations was left open.

West Berlin's Mayor Brandt recently stressed to American officials that the real problem facing the foreign ministers' meeting or a summit conference is the negotiation of a "viable access agreement." Brandt feels that such an agreement must cover Allied and West German access, and that the latter could be negotiated between the two German delegations under four-power auspices.

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## MIDDLE EAST HIGHLIGHTS

Iraq

Prime Minister Qasim's contest with the Communists over the legalization of party activity and party participation in the cabinet has not been resolved, although the Communists have made a partial tactical retreat and may well have suffered some loss of prestige.

In response to Qasim's speeches rebuking those who called for a revival of political activity along party lines and to the announcement by the National Democratic party (NDP) of a "freeze" on its activities,

the Communist press in Baghdad stated last week that the party "never" considered the question of legalization as "one of the more overriding and urgent issues." It also emphasized that it would not make participation in the government a condition for supporting Qasim. However, party leaders have clearly indicated they have no intention of following the NDP's example. The principal Communist organ criticized that party's stand, and a Communist-inspired NDP splinter group has announced that it would not follow the official party directive.

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Qasim replied in a press statement on 23 May, pointing out that "unintentional" party activity would "unintentionally" endanger the safety of the republic. This threat, though heavily veiled, is a stronger one than any he had previously aimed at the Communists and associated elements. This section of his statement was not published in the Communist party paper, but Radio Baghdad repeated it.

The Communists have complained about another commentary by Radio Baghdad which appears to have named the Communists as the offenders against the spirit of Qasim's statements. The Communists have reminded the public and Qasim of the services they have rendered the revolutionary government and of the danger that the "imperialists" are seeking to undermine Qasim's support by their attacks on Communist activity.

In the international field, the Qasim regime has made some further cautious gestures in what seems to be the direction of more friendly relations with the West and a more genuinely neutral policy. Another Qasim press statement last week, which contained some mildly favorable references to the Western powers, was broadcast verbatim by the government radio, a rare treatment for interviews of this character.

So far, however, these developments have spelled only a mild moderation in the political climate in Baghdad. Qasim still has no organization of his own to produce mass support for him, and it seems unlikely that he will undertake any aggressive or dramatic moves against the Communists unless they commit gross tactical errors. He still seems to be seeking their

continued support, albeit on his own terms and in ways which tend to put limits on their hitherto predominant influence. But the Communists are still the strongest single civilian political group in the country, and they remain well entrenched in the bureaucracy, labor unions, front organizations, and propaganda machinery.

In his most recent interview with Ambassador Jerneagan, who assured him of Western support in maintaining Iraq's independence, Qasim remained as noncommittal as ever with regard to any positive steps he might take to move away from either the local Communists or the support of the Soviet bloc.

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Israel-UAR

Israel is making strong representations over the UAR detention of the Danish freighter Inge Toft, which attempted last week to carry Israeli cargo through the Suez Canal to Far Eastern ports.

in a get-tough policy toward alleged Arab incursions in Israeli waters and air space. Foreign Minister Golda Meir, on a tour of Latin America, stated in Buenos Aires that Israel's patience was "exhausted," and indicated that henceforth Arab vessels found in Israeli waters would be kept and never returned to their owners.

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Since the seizure, the Israelis have captured a UAR fishing boat and have forced down a Lebanese "light bomber"

**LAOS**

Laotian Army units and the rebellious Pathet Lao battalion have engaged in two brief exchanges of fire, but army efforts have been limited to containing the unit and frustrating a possible escape to Communist North Vietnam. The commander of the Pathet battalion had initially indicated that he had ordered his unit to escape only because he feared government repression, but on 23 May he broke off negotiations for its return.

The Laotian Army chief of staff, General Ouan, says that

a small group of North Vietnamese had established contact with the Pathet battalion by 24 May. He also states that demobilized former Pathet Lao soldiers are gathering in a number of provinces. In the present climate of insecurity, it is unclear whether such activity has been ordered as a prelude to guerrilla warfare or merely a measure to guard against possible government repression.

These developments are generating an atmosphere of tension in which the government is increasingly disposed to destroy

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the Pathet battalion and suppress the Communist-front Neo Lao Hak Zat (NLHZ) party. The foreign minister on 25 May requested American financial and material support for an operation to break the resistance of the Pathet unit.

In view of the army's inept performance to date, there is the danger that an attack against the Pathet unit might serve only to disperse it. In addition, drastic action against the NLHZ could precipitate its return to full-scale dissidence creating an internal security problem with which General Ouan says the Laotian Army would be unable to cope without an increase of 6,000 troops.

The British Foreign Office has expressed strong fears that drastic action against the NLHZ will undermine its ability to oppose the Communist bloc campaign to reconvene the International Control Commission (ICC) for Laos. It apparently believes that repression of the NLHZ would be construed by interna-

tional opinion as violating the Geneva agreement's prohibition of reprisals against former Pathet Lao members.

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The Communist powers have reacted by terming the situation dangerous for peace in Southeast Asia and by continuing to demand the immediate recall of the ICC to Laos. North Vietnam's attacks on the Laotian Government's actions have been harsher than either Peiping's or Moscow's, although no ultimatum has been issued to Vientiane. The Communists realize that any overt military action would undercut their goal of placing blame for any violation of the Geneva agreements on Laos.

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## PART II

NOTES AND COMMENTS

## NEW SOVIET TRADE GAINS IN WESTERN EUROPE

The USSR has scored two important economic successes in Western Europe. After years of trading without an official agreement, Britain and the USSR last week concluded a formal five-year trade pact. Moreover, the British, during the negotiations with Moscow, reaffirmed that government-guaranteed medium-term credits--i.e., extending up to five years--are available to finance trade with the USSR, thus opening a new area of competition among West European exporters seeking a share of Moscow's much-publicized program to buy "billions" of dollars worth of Western industrial goods.

The communiqué issued at the end of the British trade talks in Moscow calls for a "substantial" increase in trade. "Traditional" British purchases of Soviet grain, timber and wood products, nonferrous metals, and flax, as well as new purchases of Soviet autos and consumer goods, are to be increased by about \$50,000,000 in the first year, according to the British. The "traditional" purchases, particularly of timber and wood products, accounted for half of Britain's \$165,000,000 worth of imports from the USSR in 1958. London presumably will only cautiously step up purchases of grain and nonferrous metals--commodities now largely supplied by Commonwealth countries.

For its part Moscow "will place substantial orders" for equipment for the chemical and paper industries, sugar refineries, and food-processing plants; equipment to produce synthetic tires; and additional consumer items. Less than half the \$145,000,000 in Soviet im-

ports from the UK last year were British-produced commodities, the remainder being composed of Commonwealth raw materials and foodstuffs which the USSR is increasingly seeking to buy directly from the producing countries.

In order to maintain and increase imports from the UK, Moscow will have to increase considerably the purchase of manufactured equipment. The extent of British willingness to provide government-guaranteed credits to exporters probably will largely govern any increase in orders for equipment now being bought under the proposed Soviet seven-year \$15-20 billion chemical-industry expansion.

The British mission leader stated the objective of the pact and the auxiliary credit conditions is to get a "good share" of planned increases in Soviet trade. Soviet spokesmen point out that agreements reached with the British set an example "for those powers with whom we have rather weak trade relations. We hope they will think it over and do something on these lines."

The publicity accorded to credit features of the British program herald a new era in West European competition to seek a share in the proposed expansion of Soviet trade. Almost simultaneously with the issuance of the Soviet-British communiqué West Germany revealed that a government-owned shipyard had arranged credit for the delivery of \$10,000,000 worth of ships to the USSR. The time from the beginning of construction to final payment will exceed the usual five-year maximum for medium-term credits. Negotiations are under way for financing

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an additional \$30,000,000 order which, Bonn claims, other countries would fill if West Germany refused the contract.

Italian exporters, who have secured at least \$20,000,000 worth of Soviet contracts subject to "arrangement of special credits," have been urged to seek

credits for a variety of complete plants which the USSR alleges it can get elsewhere if Italian credit is not forthcoming. The Dutch also are negotiating the sale of ships, which the USSR is seeking to buy on credit terms.

(Prepared by ORR)

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**FURTHER DEVELOPMENTS IN THE "CULT OF KHRUSHCHEV"**

Public praise for Khrushchev has become increasingly lavish in recent weeks. His stature as a theoretician, expert in many fields, and World War II military figure is steadily being enhanced, and the creation of an idealized image of him as charismatic leader of the Soviet people has been carried a few steps further. This build-up, apparently having achieved a momentum of its own, probably cannot be stopped, short of clear and explicit instructions from Khrushchev. The trend toward more fulsome and ingratiating praise will probably continue as Soviet officials in all fields vie for Khrushchev's favor or simply seek to protect themselves from a suspicion of disloyalty.

Ukrainian and Moldavian leaders took advantage of Khrushchev's presence in their republics recently to laud him with eulogies reminiscent of those given Stalin, and the Soviet secret police, in a widely publicized letter to the party central committee, made certain that no suspicion of disloyalty should be aroused by any hesitancy on their part in adding to the new "cult of Khrushchev."

The presentation of a Lenin Peace Prize to Khrushchev on 16 May--an honor never before given a Soviet leader--was the occasion for further adulation, in which foreigners as well as Soviet

citizens participated.

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There is as yet no clear evidence that Khrushchev has been particularly swayed by this flattery, but neither has he given indication of any desire to limit it. On the contrary, he gave the development of an idealized leader-image a boost in his speech on 22 May to the Third Writers' Congress by striking the pose of an intensely human, warm, and compassionate "father confessor." Referring to the futile attempts since Stalin's death of a number of writers to throw off the bonds of party domination, he said: "The struggle has ended and the 'angel of reconciliation,' as the phrase goes, is in the air.... If the adversary surrenders...and expresses his readiness to take up the correct position, do not thrust him aside, but rather, stretch out your hand to him."

The image thus created differs markedly from the picture of Stalin--the cold and austere eminence in the Kremlin--and may go a long way toward preventing the excesses attributed to the cult of Stalin.

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**THIRD USSR WRITERS' CONGRESS ENDS**

The six-day proceedings of the Third USSR Writers' Congress, which closed in Moscow on 23 May, made clear the regime's renewed demand that Soviet writers confine themselves to arousing popular enthusiasm for Soviet achievements and inspiring hopes for the Communist future.

In his speech to the congress on 22 May, Khrushchev declared himself completely on the side of the "so-called embellishers"--those writers who in the eyes of their opponents concentrated on Soviet achievements and glossed over faults and failings. He urged that there be no recriminations against writers who are trying to overcome their "serious mistakes," but that the mistakes themselves must not be forgotten. He warned bluntly that Soviet writers may not arrogate to themselves the party's exclusive right to identify those aspects of Soviet society in need of reform. "If anyone reveals and lays bare failings and

faults it will be done by the party, by its central committee." In effect criticism and the impetus to reform must come from above, not from below.

TASS announced on 25 May that Konstantin Fedin had been elected first secretary of the USSR Writers' Union, replacing Alexey Surkov, who was elected one of the 26 secretaries of the union. Fedin in the past has followed the regime's cultural policy line as faithfully as Surkov. He was one of the editors who rejected Pasternak's Dr. Zhivago in 1956, and he reportedly attempted to persuade Pasternak to refuse the Nobel Prize when it was first announced last October. Fedin is, however, more tactful than Surkov and on occasion has been criticized by regime supporters for "glossing over the mistakes" of other writers. He will probably be better suited personally than Surkov to accept back into the fold those writers whose mistakes the regime is ready to forgive, if not forget.

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**MORE BLOC ECONOMIC COOPERATION THROUGH CEMA**

The communiqué of the 11th plenary session of the bloc Council for Mutual Economic Assistance (CEMA) held in Tirana from 13 to 16 May suggests that effective coordination of new industrial activity, such as advanced chemical production, will be guided by bloc as well as national considerations. At a meeting in Moscow of top bloc political leaders in May 1958, Khrushchev called for more economic cooperation among the satellites as a step toward the ultimate economic integration

of the Soviet bloc. Since then CEMA, after nine years of dormancy, has been markedly more active.

At the ninth plenary session last June, CEMA organs were strengthened to encourage greater compliance with CEMA recommendations. Moscow, revealing sensitivity to possible charges that it dominates an economic bloc, has explicitly denied that CEMA plays a supranational role, and CEMA has taken great pains to stress the independence and quality of its members.

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The tenth plenum, in December 1958, set forth the work program for 1959, concerned itself with "practical" measures for furthering specialization, and approved construction of a pipeline system for delivery by 1965 of increased amounts of Soviet crude oil to East European refineries. At the most recent plenary session, members agreed to establish long-proposed facilities to connect their high-voltage electric-power transmission systems, permitting more intensive use of power capacities by exploiting time differences and variations in power-consumption patterns. The integrated system will permit areas not endowed with adequate low-grade fuel reserves to use power generated by proposed superplants in East Germany and Poland. The system also will be an important aid to intensive power users such as the chemical industry.

The coordination of ambitious satellite economic plans through 1965 at the recent Tirana meeting was designed primarily to effect a more careful intrasatellite balancing of basic industrial resources and requirements. The conference also set the "general lines of specialization" for the growing production of equipment for chemical industries and additions to capacity in the steel industry.

Bloc activity during the past year gives little evidence of any willingness by CEMA members to reduce or abandon present production in the interest of specialization. CEMA's role, however, is being stressed with regard to new industrial construction and technology. This may yield sizable gains in efficiency and productivity, minimize drains on Soviet resources, and enhance the political stability of the satellites, tying them closer to the USSR.  25X1  
(ORR)

**EAST GERMANY MAY MOVE AGAINST BERLIN SECTOR "BORDER CROSSERS"**

The East German regime may be preparing a drive against persons who live in East Berlin and work in the Western sector, according to unconfirmed reports from Berlin.

Such a drive against these "border crossers" would have one or more of the following purposes: a) to isolate West Berlin from East Berlin and East Germany; b) to renew pressures on the West Berlin government to negotiate on this issue; c) to force skilled workers living in East Berlin to take jobs in East Berlin or East Germany in order to relieve

the serious labor shortage and fill positions opening up in East Germany's expanding industry; and d) to eliminate or reduce the present uncontrolled transactions in East German currency at other than official rates.

The Communists are not likely to undertake an all-out campaign at this time, however, since it would tend to increase tensions and emphasize a determination to abrogate the four-power status of the city by unilateral action. Under Berlin's present status, all residents have a right to move freely to any part of the city.

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An estimated 40,000 residents of East Berlin or East Germany now work in the Western sector, an increase of some 6,000 since 1957, while during the same period the number of West Berlin residents working in East Berlin declined from approximately 16,000 to about 13,900. The East German Government has charged that many border crossers are engaged in illegal currency manipulation and in smuggling of goods in both directions. Under present arrangements the East-to-West border crossers receive 40 percent of their wages in West marks and the remainder in East marks at a 6-to-1 rate. The West-to-East crossers are permitted to exchange 90 percent of their wages into West marks at the official 1-to-1 rate. Since the present free-market rate of exchange is about 3.5 East marks to 1 West mark, the border crossers can realize a tidy bonus.

In addition to the advantages of the currency situation and the opportunity to shop in both parts of the city, there are other reasons why many residents of East Berlin continue to live there. One of the most important is the continued housing shortage in both parts of the city, despite the vast amount of building in West Berlin. If a person has a house, even in East Berlin, he will try to keep it rather than move to West Berlin through refugee channels and go to the bottom of the long list of people waiting for housing.

The East German regime undertook brief intensive campaigns in 1957 and in 1958 to reduce the number of border crossers. The major result of such campaigns was to induce the border crossers to make a permanent move to West Berlin or West Germany. A new drive at this time probably would have a similar result.

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**SITUATION IN TIBET**

While Chinese Communist military units are moving against guerrilla bands, Peiping is consolidating its political control in Tibet. A party directive issued in Lhasa on 22 May indicates that pressure is increasing for Tibetan acceptance of "democratic reforms." The directive instructs Chinese military and government personnel to "pave the way" for reform by leading and organizing the Tibetans in preparatory work. Peiping's failure to mention

land distribution suggests Tibet will pass quickly to more advanced stages of socialization.

On the surface, Peiping's indoctrination program appears to be having some effect.

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Recent Chinese overtures to India suggest a public effort will be made to regain Indian good will, but official relations with New Delhi are still tense. The Chinese also are attempting to eliminate any vestige of Indian influence in Tibet.

Nehru views the presence of the Dalai Lama in India as an irritant to relations with Peiping. India's Foreign Secretary Dutt stated on 21 May that Nehru has no hope the Dalai Lama will ever return to Lhasa in a status comparable to that which he held before his flight. Indian attitudes toward Communist China will also be adversely influenced by the psychological effect of the suppression, of which the 13,000 Tibetan refugees will serve as a reminder.

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**PROSPECTS FOR CHINA'S STEEL INDUSTRY**

Despite the rapid production increases scored by China's steel industry last year, the industry is still not in a position to meet all the demands placed on it. Premier Chou En-lai recently acknowledged that an insufficient output of steel was hampering the growth of the national economy and that an increase is the most important task on the industrial front.

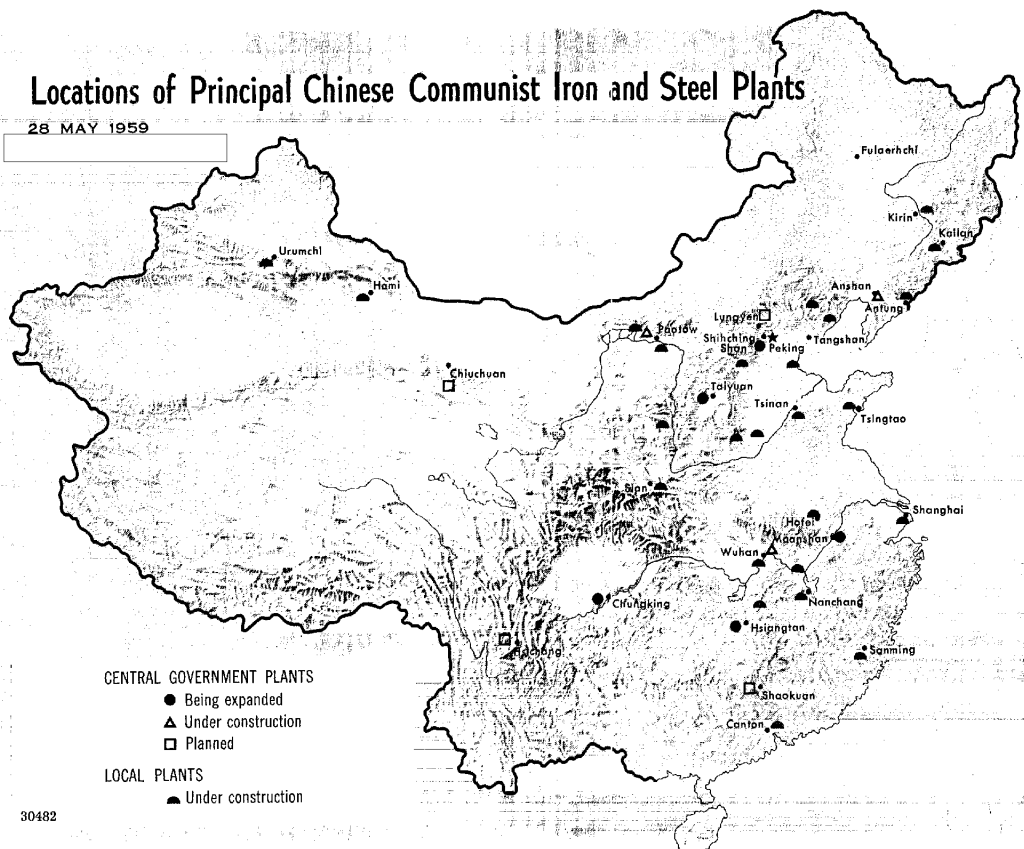
In its loud claims to have doubled steel production last year, Peiping has significantly failed to mention how much was

made into finished steel. It is estimated that only 7,500,000 tons of crude steel out of the claimed output of 11,100,000 tons was converted to finished steel of acceptable industrial grade. This was produced in plants of the central government and in locally controlled medium-size plants. Most of the rest was produced in small, local installations built under the impetus of the intensive iron and steel campaign last fall. The steel turned out by these backyard facilities was either remelted --and counted again in the

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statistics--or fabricated by local artisans into simple implements and utensils.

Last fall's campaign not only caused severe economic dislocations--fields left unharvested for lack of hands, congested transportation, and exhausted laborers--but also failed to produce an industrially useful product. Although Premier Chou told the April session of the National People's Congress that the policy of using both modern and native production methods was a "long-term" one, the waste of labor and materials inherent in last fall's small-scale steel operations is leading to the progressive curtailment of these activities.

Peiping is giving renewed priority to the rapid construc-

tion of large, integrated iron and steel centers. The facilities at Anshan, at present the largest steel producer in China, are being expanded. Construction on the large, modern plants being built at Wuhan and Paotow with Soviet aid is being speeded up, and they should be in full operation by 1962. In addition, Peiping has announced its intention to build at least four 1,500,000-ton plants and to expand five smaller ones.

If all these projects are completed by the end of the Third-Five-Year Plan in 1967, they will produce 25,000,000 tons of steel. Some 25 medium-size local plants may by then produce an added 20,000,000 tons, giving China a total steel output of about 45,000,000 tons in 1967--seven times the 1957 level. By that

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time China will probably have moved from seventh place to third among the world's producers of steel.

As regards 1959 output, it is estimated that of the 18,000,000 tons of crude steel scheduled for production, some 4,000,000 tons will have to be remelted or fabricated locally.

If current plans are effected, China will be able to produce approximately 25,000,000 tons of acceptable steel annually by 1962, the last year of the Second Five-Year Plan. Even at this level, however, China's steel production will probably continue to lag behind needs.

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**PEIPING TRYING TO INCREASE INFLUENCE IN NONBLOC COMMUNIST PARTIES**

The Chinese Communists have recently indicated that they are determined to acquire a greater role in guiding the activities of nonbloc Communist parties.

This effort is open, displayed in formal communiqués, and contrasts with a recent tendency by Moscow to camouflage its influence for foreign policy considerations. The Chinese

feel no need to remain circumspect, as the Peiping regime is not recognized by most of the countries with whose Communists it is working more closely.

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[REDACTED]

of views with the Chinese arrived in Peiping in April and remained for May Day. In an unusual display of compromise, the Chinese sacrificed their own Stalinist phraseology out of deference to the more liberal views of the Italians. [REDACTED]

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Indonesia's two top Communists have made lengthy trips to China following visits to Moscow earlier this year. Secretary General Aidit and First Deputy Secretary General Lukman apparently sought guidance as to their party's policy in supporting Sukarno's plan to limit the activities of political parties.

[REDACTED]

The first delegation of Italian Communists to come specifically for an exchange

[REDACTED]

Liu Shao-chi, who ranks second in the party hierarchy, went to the Peiping airport to meet the delegates of 12 Latin American Communist parties who made a side trip to Peiping after attending the Soviet 21st party congress, and Mao and party secretary Teng Hsiao-ping met them later in Chengchou. The Latin Americans were impressed by the Chinese leaders' affability. [REDACTED]

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**CEYLONESE PRIME MINISTER'S POLITICAL POSITION**

The withdrawal of two extreme leftist cabinet ministers and ten parliamentary representatives from Ceylon's ruling coalition has confronted Prime Minister Bandaranaike with the immediate tasks of reshuffling his cabinet and regaining a safe majority before Parliament reconvenes. He probably will be

able to do this with the support of opposition members who do not wish to see the government dissolved and new national elections called at this time. However, Bandaranaike's longer range problems of securing continued support for his policies and controlling the government party until the 1961 elections

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are likely to prove increasingly difficult.

The prime minister postponed until 30 June the parliamentary session scheduled for 26 May to avoid an immediate no-confidence motion and to allow time for reorganizing the government, preparing the budget, and outlining other important programs for submission to Parliament. The interval is likely to produce hard political bargaining among Bandaranaike, the remaining government members, and his potential new supporters. Having yielded only out of expediency to the moderate cabinet majority's demand that the two leftist ministers be ousted or their powers curtailed, Bandaranaike probably will try to stand firm against any further effort by the moderates to dominate him or to modify the government's socialist program.

Bandaranaike's success will depend both upon his ability to control the dissension which probably will reappear within his own party as soon as new

cabinet appointments and controversial policy matters are raised and upon the extent to which opposition elements are willing to support him. The latter reportedly include five independents and eight members of the Federal party, which represents the island's Tamil-speaking minority. Both may seek concessions in exchange for their support.

Should the independents and Tamils prove difficult to satisfy, Bandaranaike might risk continuing temporarily without an absolute majority rather than further weaken his position by bargaining for their support. In doing so, he may count on the probability that, while many opposition members would vote against the government, there would probably be enough abstentions to defeat a no-confidence motion. Furthermore, the seven leftist members of Bandaranaike's own Sri Lanka Freedom party who recently withdrew their support have announced their intention to remain outside the opposition and support the government's "progressive" measures. [redacted] 25X1

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**FRANCE'S ALGERIAN POLICY**

The Debré government in France has bowed to National Assembly pressure for a debate on Algeria, but it has postponed discussion until 4 June, three days after President de Gaulle's scheduled public summation of his year in power. The assembly discussion may indicate how much opposition De Gaulle might encounter for a solution which would not "integrate" Algeria

into France. The basis of the debate will probably be a pro-integration document published on 20 May by the bloc of 70 deputies from Algeria and the Sahara.

Debré has attempted to block a strong assembly resolution on Algeria, and will probably invoke a new parliamentary

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rule forbidding a vote in policy debates. A vote on Algerian policy would risk splitting the New Republic Union (UNR), the mainstay of his coalition, and might undermine Paris' recent successes in further isolating the "ultras" among the European settlers in Algeria. Debré will probably try to maintain unity by a mixture of mollification and implied threat.

Paris now appears to have accepted the thesis of French Army commanders in Algeria that a military victory is in sight and that surrender is the only way to bring peace to North Africa.

An increasing number of rebel overtures suggesting negotiations on Algeria, coupled with rebel requests for foreign help, have probably increased Paris' belief that a victory is in the offing.

De Gaulle's emphasis on widespread Moslem participation in Algerian political life implicitly warns the rebels that the future of Algeria may be resolved without them. Despite rebel attempts to frustrate Moslem voting, Moslems now sit in the French National Assembly and control most of the local municipal councils in Algeria. After 31 May, 34 senators from Algeria and the Sahara will sit in the French Senate.

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**FRENCH-TUNISIAN NEGOTIATIONS ON BIZERTE**

Tunisia appears ready to discuss with France a provisional agreement which would regularize the status of the French military base at Bizerte. Negotiations will be difficult, however, and could be disrupted at any time. If this happened, Tunisian President Bourguiba might renew his demand for the complete evacuation of Bizerte and appeal to the US and the UN for support.

Informal talks on the Bizerte question began last fall in accordance with the 17 June 1958 agreement under which French forces were withdrawn from other bases in Tunisia. These talks never matured into serious negotiations, however, and the Tunisians, whose relations with both the UAR and the Algerian rebels were especially tense at that

time, soon allowed them to lapse entirely.

Thereafter Tunis--until very recently--avoided direct talks on the problem, expressing a preference for the modus vivendi which has endured despite a steady series of minor incidents involving Tunisian troops and the 16,000 French air, naval, and ground forces stationed in the Bizerte area. This attitude, however, has not stopped Tunisian complaints that France was ignoring Bourguiba's mid-February statement offering France the use of Bizerte if it came to terms with the Algerian rebels by 17 June.

The approach of that "deadline" and the prospect of losing the economically beneficial

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effects of some \$20,000,000 in NATO funds now available to France for improvements at Bizerte appear to have prompted Tunis' approach to Paris last week for a resumption of informal conversations on the base question.

Bourguiba's tactic apparently will be to hold out the prospect of an interim arrangement for continued French operations of Bizerte as an exclusively air-naval base in return for the settlement, on terms favorable to Tunis, of virtually all problems now confronting the two governments. In this connection, Tunisian Foreign Secretary Mokaddem told Ambassador Jones on 22 May that the economic and financial discussions which began in Tunis last week would have an impor-

tant bearing on his government's attitude toward Bizerte. For its part, Paris appears anxious to conciliate Tunisia on as many outstanding issues as possible in order to retain an effective air-naval installation at Bizerte. However, the French seem determined to resist Tunis' desire to be recognized as solely responsible for Bizerte's defense.

Early French-Tunisian agreement on a provincial arrangement for Bizerte also depends to a large extent on the behavior of French Army elements based at Bizerte, which have been pushing for greater freedom of action in the base area. Any new incident involving these troops, or French forces operating along the Algerian-Tunisian border, could cause Bourguiba to revert to extreme positions unacceptable to Paris.

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**THE CUBAN AGRARIAN REFORM LAW**

Moderates in the Cuban cabinet evidently oppose parts of Prime Minister Fidel Castro's drastic and complicated new agrarian reform law. The version unofficially published on

19 May has confiscatory aspects likely to impede Cuban economic recovery. It also gives sweeping powers to the National Agrarian Reform Institute, the organization charged with enforcing

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the law and at present under the executive direction of a pro-Communist.

The opposition of the moderates has probably caused the unusual delay in official publication of the law. The minister of agriculture, who as Castro's legal adviser authored the original and more restrained agrarian laws promulgated in rebel territory during the civil war, is reliably reported to be so opposed to the present version that he will resign.

This version, announced from a special cabinet meeting in the Sierra Maestra on 17 May and published two days later in the Castro movement's semiofficial newspaper, limits the size of farms, and bases compensation to present landholders on artificially low tax assessments accepted for many years. It contains several potential loopholes but Castro insists it will be strictly enforced, and Cuban lawyers believe there is virtually no recourse from interpretations or actions of the institute in implementing the law.

Although Castro is the institute's titular head and calls agrarian reform the basis of his entire revolutionary program, the numerous other demands on his time will probably keep him from giving it close atten-

tion. Effective control will thus reside in the executive director, Antonio Nunez Jimenez, an intellectual with a long record of Communist associations and widespread influence in the Cuban revolutionary government.

Nunez and other pro-Communists are believed to have drafted the present law in such a way as to give them carte blanche to extend their influence in agricultural areas--as has already happened with pro-Communists in some of the labor unions, parts of the revolutionary army, and possibly in public education. Some resistance to Communist influence has appeared in labor, but the extensive economic power which will accrue to the agrarian institute would be harder to challenge.

Well-planned and -administered land reform, which would alleviate the overconcentration of landownership and help diversify agricultural production, is probably the key to Cuba's economic and social development. However, the lack of skilled and disinterested technological personnel to implement the reforms and the apparent Communist influence in the institute seem likely to pervert the purpose of the reform and cause serious dislocations in the country's economy.

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**ARGENTINE GOVERNMENT UNDER HEAVY PRESSURES**

The Argentine Government will be under heavy pressures for the next few months. A drop in real wages is anticipated, there is increased military discontent over labor agitation, and the Peronistas and Communists threaten to continue costly strikes and violence. Through his ban on all Commu-

nist activities and his cabinet reorganization in mid-May, President Frondizi hopes to reduce these pressures and improve administration of the US-backed stabilization program.

Despite the state-of-siege regulations, extreme Peronista and Communist agitators have

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continued to organize strikes and other protests frequently resulting in riots in downtown Buenos Aires. This unrest has caused considerable damage, injuries, and economic disruption. Many businesses have closed in fear of possible sabotage or damage to their premises, whether or not their employees were striking.

The several general strike efforts this year have been most effective in the industrial and construction unions, which are controlled by the "hard-line" Peronistas and Communists. The rival "32-Group" unions, a slightly weaker combination, have denounced these strikes as political maneuvers directed by Moscow and Peron.

The Peronista and Communist strike demands have emphasized political objectives, such as measures that would aid Peronista efforts to regain control of organized labor and demands for revision of nonlabor policies, such as petroleum development. Wage demands and complaints against government control over a dozen troublemaking

unions have been intertwined to attract popular support.

The government is concerned that rising living costs, already up 50 percent since 1 January, may strengthen strike pressure. It is also apprehensive that prolonged strike pressure may enlarge the scope of Peronista cooperation with the Communists, thus further undercutting Frondizi's conciliatory efforts to reintegrate former Peronistas peacefully into the national scene.

The rocky course of these efforts was in part reflected in Frondizi's mid-May cabinet reorganization in which several former Peronistas or supporters of the conciliatory line were dropped. The new appointees are considered somewhat more conservative and likely to improve administration of the stabilization program. They will also be more acceptable to the military, who have recently expressed displeasure with the continuing agitation and "undesirable" elements in government.

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**THE SITUATION IN PORTUGAL**

Portuguese political tensions, which were marked by a plot against the Salazar regime in early March, have relaxed somewhat recently, and the government is making some moves to allay criticism. Premier Salazar seems to have fully recovered from his attack of pneumonia in January, and on 28 April, his seventieth birthday, he received congratulations from numerous supporters. Nevertheless, failure to choose his successor fairly soon might revive factionalism among the armed forces and encourage a bid for power by leading military contenders.

The regime has taken some steps to satisfy its critics by shuffling personnel in municipal, district, and central administrative offices, in committees of the National Union party, and in the armed forces. It has also publicized progress on public works and social welfare problems. Former presidential candidate General Humberto Delgado and two others who had taken asylum in Latin American diplomatic missions in Lisbon since mid-January were permitted to depart to the countries involved, but the government was somewhat flustered by these incidents, and it has

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PART II

NOTES AND COMMENTS

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recently indicated that it will no longer recognize such right of asylum.

Liberal elements in the regime who have felt Salazar is



SALAZAR

out of touch with the times now appear reconciled to his continuance in office for the time being. However, they are likely to renew pressure for his re-

moval if he fails to show sufficient flexibility in meeting such social needs as slum clearance and housing. These elements also want effective action against factionalism in the armed forces.

Defense Minister Botelho Moniz told the American naval attaché on 30 April that Salazar has recently been sounding out his close official associates on a successor, though without mentioning any date for his retirement. Moniz, who hopes the premier may envisage a favored position for him, thought Salazar might soon make a public statement on his plans. Protracted delay might encourage ex-Defense Minister Colonel Santos Costa to try to regain his former position as the regime's "strong man." He reportedly has the support of the National Front, a recently formed group of military and civilian "regime purists" who oppose Moniz but are also critical of corruption in the present regime.

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**SICILIAN ELECTIONS**

In Sicily, where dissident Christian Democrats have been participating in a Communist-supported coalition government, the regional elections on 7 June are likely to result in a gain of several assembly seats by the Communists and Nenni Socialists at the expense of the Christian Democrats. Right-wing opponents of former Premier Fanfani, in their effort to gain control of the national Christian Democratic party machinery, have encouraged the dissident tendency in Sicily and may even be willing to see the rise of a second and competing Catholic party.

The present Sicilian government coalition of Nenni Socialists, dissident Christian Democrats, Monarchists, and neo-Fascists came to power last October when 18 of the 37 Christian Democratic deputies in the 90-member regional assembly rejected the party-sponsored candidate for president of the assembly in favor of Silvio Milazzo, a strong advocate of Sicilian autonomy. This move was reportedly encouraged by former Premier Scelba as part of his maneuvering to undermine the power of then Premier Fanfani. The other parties, particularly

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the Communists, were quick to see in this a way to diminish the Christian Democratic party's strength in Sicily and its prestige in the country as a whole.

Since his expulsion from the Christian Democratic party, Milazzo has formed his own Catholic party--the Christian Social Union--and has publicly rationalized his continuing dependence on Communist support as a means of realizing Sicilian aims. Efforts by the central Christian Democratic organization to close Catholic ranks

have had only limited success, and party leaders admit they expect to lose six seats to the Communists and Nenni Socialists, who now have 28 seats.

Communist and Nenni Socialist gains in the coming Sicilian elections, following their success in the Val d'Aosta region on 17 May through union with local Catholic autonomists, would aggravate cleavages in the Christian Democratic party.

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## PART III

PATTERNS AND PERSPECTIVES

## DOMESTIC PROBLEMS FACING THE IRANIAN REGIME

The Shah of Iran's problems in maintaining government stability are becoming increasingly complicated, but he believes he has the internal situation under control. He has recently exhibited his confidence by leaving Iran for a month's visit to Europe and by imple-



SHAH OF IRAN

menting only slowly the reform program which he began shortly after the Iraqi revolution in order to buy time for his own regime. However, the Soviet radio propaganda campaign against the Shah is

deepening antiregime tendencies and helping to create a "spirit of rebellion," especially among the lower income groups and within the armed forces.

Reform Program

The Shah seems to be making no attempt to enforce the principal measure of his reform program, the "Conflict of Interest Law," while the public is waiting expectantly for results.

The American Embassy believes that within another two months public disillusionment may be irreversible. A virtual dictator, the Shah would bear the full blame for failure of the reform program.

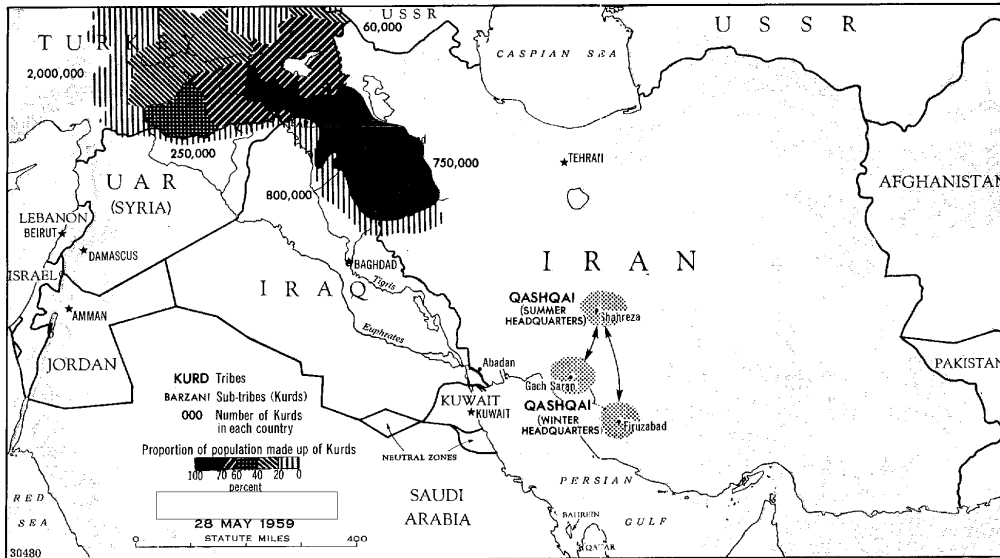
Further promises probably would not reverse the trend of popular dissatisfaction, which could result in a move to oust the Shah. Furthermore, the recent law requiring officials to explain the sources of their wealth is not being implemented. The Imperial Inspection Bureau, established to accept complaints on any subject and to take action to correct inequities, also is failing to act against privileged groups.

On the brighter side, however, there has been a gradual improvement in government administration: the gendarmerie has been reorganized, and the national police and Ministry of Justice are being improved. The government discharged 10,000 unnecessary employees, a move which may contribute to greater efficiency.

The Shah and his cabinet, while continuing to talk about land reform, have not yet made any firm proposals. The Shah continues to distribute crown lands and state-owned lands to peasants in the hope that landlords will follow his example without forcing him to use coercion. The embassy reports that, paradoxically, the demand for land reform comes primarily from the urban intellectual class and from external propaganda rather than from the peasants, who, although dissatisfied with some local conditions, prefer that improvements take place within the existing system. The Shah

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has not enforced his decree requiring landlords to provide houses and schools for peasants, but his decree abolishing feudal dues has been almost fully enforced.

siderable prodding by the Shah. It is rumored that this party also intends to come out in favor of some land reform measures--probably at the Shah's orders.

**Political Parties**

One weapon the Shah may use on unscrupulous landlords is the People's (Mardom) party, which has land reform as its major program. The People's party, which was formed in 1957 by Assadollah Alam, a close friend of the Shah, has been steadily expanding and has a number of supporters in the Iranian Parliament. The party is also making some headway with labor groups, and its agitation has resulted in minor violence in some localities. Many politicians believe that the Shah is grooming Alam for the premiership. Alam has announced that he is donating some of his own lands to the government for distribution and has recently given a series of lectures on land reform.

The other principal legal political party in Iran is the artificially created "progovernment" Nationalist (Melliyn) party, formed by Prime Minister Eqlal in early 1958, after con-

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to treat its own Kurds with more generosity. Events in Iraq may be also stirring strong Kurdish emotions in Iran, however; this could turn against the regime, which opposes Kurdish nationalism and separatism.

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**Tribal Loyalties**

Without foreign assistance or a major internal upheaval, the tribes in Iran are not likely to play a large political role again because of the increased firepower, mobility, and communications of the armed forces. The dissatisfaction of many tribal leaders with the regime's policies could, however, lead them to cause disturbances when they believe the security forces to be committed heavily elsewhere.

The Qashqai tribe's opposition to the Pahlavi dynasty amounts to a blood feud.

The estimated 750,000 Iranian Kurds in northwestern Iran have recently been joined by over 1,000 refugee Iraqi Kurds. Iran has granted asylum to the refugees and has begun

**Army Morale**

The Shah is relying increasingly on his army, now 173-000 men, to preserve his power, but some officers and noncoms continue to be dissatisfied.

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**UN EXPERIENCE WITH OBSERVER AND PATROL FUNCTIONS**

Many neutral United Nations members look on the idea of injecting the UN into the Berlin situation as a kind of fallback position for avoiding an East-West clash. Secretary General Hammarskjold takes the stand, however, that the organization should confine itself to helping implement any agreement the West may reach with the USSR regarding Berlin access. The UN has in the past ten years had extensive experience with ob-

server and police duties in various parts of the world in disputes not directly involving one of the great powers. The success of these efforts derives from an ability to expose infractions and to prevent small clashes from spreading.

Hammarskjold and other high-ranking UN officials have been extremely cool to such proposals as those to set up a UN "peace force" or to transfer all or part

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of the UN Headquarters to Berlin. Hammarskjold seems to favor the much more limited plan of providing unbiased personnel, with the force of international opinion behind them, to supervise the execution of agreements.

UN experience with such machinery has been extensive, particularly in the Middle East. The UN Truce Supervision Organization (UNTSO) and its Mixed Armistice Commissions (MAC) have operated along Israel's borders with the Arab states since 1948. A similar but smaller and temporary operation is the "UN presence" in Jordan, an outgrowth of the 1958 UAR-Jordanian impasse. The UN Observer Group in Lebanon (UNOGIL) was another task force set up by the UN to supervise a local incident and keep it localized. Other than Korea, the most extensive UN police operation and the only one that is armed is the 5,000-man UN Emergency Force which was assigned to patrol in Sinai and Gaza after the British-French-Israeli invasion troops were withdrawn.

**UN and Israeli Borders**

UNTSO is a body of neutral military observers, originally set up by Sweden's late Count Folke Bernadotte--the first UN mediator in Palestine--to supervise the truces which preceded the armistice agreements. Four Mixed Armistice Commissions operate under the Truce Supervision Organization in policing the uneasy armistice between Israel and its Arab neighbors. The UN organizations have been beset by many difficulties,

The four separate armistice agreements between Israel and

its Arab neighbors provided for supervision of their execution by four Mixed Armistice Commissions. These commissions, with a UN chairman, are composed of three representatives of each party in the case of Egypt, and two representatives of each party in the case of Jordan, Syria, and Lebanon. The chief of UNTSO is ex officio chairman of each of the four commissions, but appoints subordinates to head the commissions in some cases.

The MACs decide questions connected with the execution and interpretation of the armistice terms; their decisions are, to the extent possible, to be taken unanimously, otherwise by majority vote. The commissions also deal with claims of complaints by either party, taking action by means of their observation and investigation machinery.

UNTSO military observers, although responsible to the UN, are recruited by their respective governments, usually on a voluntary basis. Observers are generally taken from countries acceptable to both parties, although a precedent was set by initially taking observers from only those countries which had consular commissions in Jerusalem in 1948--the United States, France, and Belgium, plus a few Swedish officers assigned to serve directly with Count Bernadotte.

While selection of these military observers is left to the military authorities of the countries concerned, observers are expected to have high qualifications, both mental and physical. In addition, the observer is expected to be completely objective in his attitudes and judgments, maintaining complete neutrality with regard to political issues.

The presence of UN personnel near the several points of Arab-Israeli conflict probably has prevented some clashes from expanding in scope, although in

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other instances an incident may have been initiated with one of the antagonists counting on this very assurance that the trouble would remain local. Arab fedayeen raids and the Israeli Sinai campaign attack have shown that UNTSO and the MACs cannot prevent the outbreak of large-scale warfare whenever this is the intention of either side. UNTSO and the MACs are intended to provide only machinery for mitigating specific disputes, not to resolve the whole Arab-Israeli problem. It seems safe to assume that their removal of a drastic reduction of their functions would increase the possibility that the recurrent border strife would lead to large-scale warfare.

**The UN and Jordan**

The "UN presence" in Jordan, sometimes known as the Spinelli mission after the ambassador in charge, was set up by the UN secretary general in accordance with a General Assembly resolution of 27 September 1958. The mission was entrusted to buttress the pledge given by the Arab states to bring an end to subversive interference with one another. The main office was set up in Amman, with subordinate offices to be established in Beirut and Damascus. The latter offices were never established, although official permission was received eventually from the governments concerned.

The mission functioned primarily as a clearing house for complaints of subversive activity against Jordan by the United Arab Republic. Earlier this month Hammarskjold and the Jordanian prime minister agreed that the mission has served its purpose and would begin to phase out gradually and be dissolved by September of this year.

Although the Spinelli mission amounted to merely a show

of the UN flag, it probably helped to reduce UAR-Jordanian tension, which had been acute.

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**The UN and Lebanon**

A Security Council resolution of 11 June 1958 authorized the establishment of an observer group to prevent illegal infiltration of personnel or arms into Lebanon for revolutionary purposes. The UNOGIL group was in Lebanon by 19 June--eight days later. Its peak strength was 579 officers and men from selected UN members acceptable to the host country. The presence of the group in Lebanon facilitated the withdrawal of American forces. Although it was not equipped to prevent further infiltration of Syrian arms into Lebanon, UNOGIL's largely symbolic character probably aided in diminishing tension. The senior UNOGIL member stated at the close of this UN operation in December 1958 that although UNOGIL's activity had not been spectacular, the group's work "was no less real and effective."

The most significant fact of this UN operation was the speed with which the UN was able to recruit and place in the field a competent and effective group of military observers.

**UN Emergency Force**

The 5,000-man UN Emergency Force--which was established to patrol the Gaza and Sinai areas after the withdrawal of the British-French-Israeli invasion troops--is the only armed force--outside of Korea--the UN has employed; UN military observers are unarmed.

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in establishing UNEF, the UN has set the precedent that no troops from any of the big powers should be used in this type of UN undertaking.

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**THE SOVIET CHEMICAL INDUSTRY**

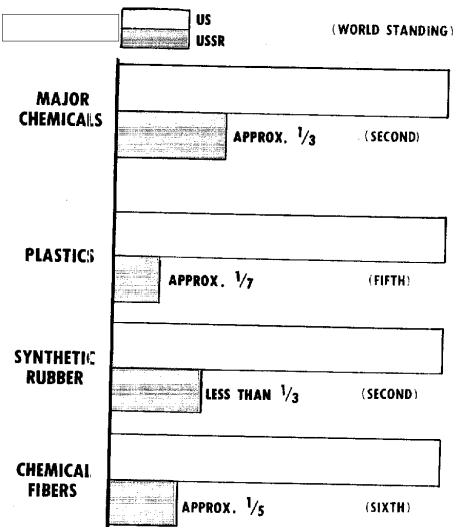
The urgency which the Soviet Union attaches to the rapid expansion of the chemical industry has again been demonstrated by the announcement that the industry's status will be discussed at next month's plenum of the central committee. Many problems, some already in evidence, must be overcome if the industry's goals for the next seven years--outlined a year ago in May at a central committee meeting--are to be achieved.

The investment plan for the chemical industry in 1958 fell short of fulfillment by a considerable margin, and fulfillment of Seven-Year Plan goals is unlikely without substantial imports of equipment and technology from the West. The five-year trade agreement signed with Britain on 24 May includes chemical, synthetics, and tire plants.

Under existing trade pacts with Western countries, Moscow had planned to import at least \$100,000,000 worth of chemical plants and equipment, and its recent drive to secure credits in the West indicates that its requirements are greater than its ability to pay for them through present exports. The plenum undoubtedly will attempt to deal with this situation.

In an attempt to overcome present shortages of chemical products and to allow for anticipated requirements in 1965, the Seven-Year Plan calls for almost a threefold increase in the output of chemicals in 1965 as compared with 1958.

To accomplish this the plan provides for a fivefold increase in investment in the chemical industry during 1959-65 over

**CHEMICAL PRODUCTION COMPARISON**

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the previous seven-year period (1952-58)--a rate of increase at least twice that for any other major branch of industry. About half of the planned chemical industry investment of 100-105 billion rubles (roughly equivalent to \$20 billion) is allocated for the expansion of the production of synthetics, principally plastics, fibers, and synthetic rubber. Almost another quarter has been earmarked for production of mineral fertilizers, and the balance is to be invested in other areas of the industry.

**Synthetics**

Although it possesses the world's second largest chemical industry, the USSR ranks fifth in the production of plastics and sixth in the production of chemical fibers; it produces less than one third as much synthetic rubber as is produced in the United States.

PRODUCTION OF SELECTED CHEMICALS  
(MILLION METRIC TONS)

	US 1957	USSR 1957	USSR 1958	USSR 1965 (PLAN)
SYNTHETIC AMMONIA	3.4	EST. 0.97	EST. 1.1	2.2
SULFURIC ACID (100%)	14.7	4.6	4.8	10.0
CAUSTIC SODA (100%)	3.9	EST. 0.6	EST. 0.7	1.3
SODA ASH	4.2	* 1.6	EST. 1.7	3.4
SYNTHETIC RUBBER	1.1	EST. 0.27	EST. 0.3	0.8
MINERAL FERTILIZERS	**28.0	11.7	12.4	35.0
CHEMICAL FIBERS	0.75	0.15	0.17	0.66

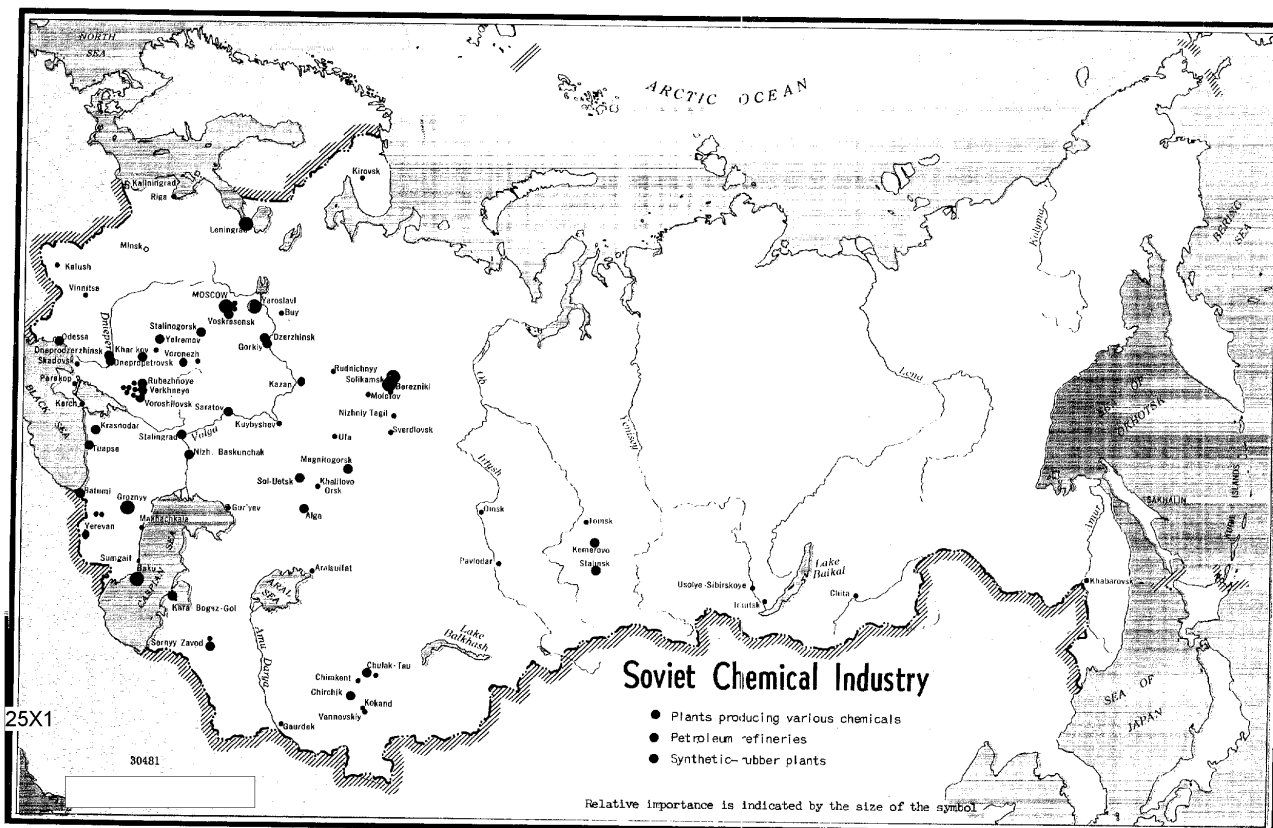
\* REPORTED AS 95% SODA ASH

\*\* CONVERTED TO SOVIET BASIS OF REPORTING

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The lack of adequate synthetic materials has been costly to the Soviet economy. A recent article in the Soviet journal Planned Economy reported that the use of synthetic materials could result in a saving during the Seven-Year Plan of about 100 billion rubles (roughly equivalent to \$20 billion) with attendant savings of more than 300,000 tons of nonferrous metals and more than 500,000 tons of ferrous metals.

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During the plan period, the production of plastics is scheduled to increase to seven times the 1958 rate; chemical fibers to four times, and synthetic rubber to two and one half times. The production of polyethylene and polypropylene--versatile plastics with broad consumer, industrial, and military uses--is slated to increase 246 times in the seven-year period. Achievement of these goals, however, would still not result in production greater than that of the United States, although output of the major synthetic products might approach the 1956 or 1957 rates of US production.



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From the Soviet viewpoint the heavy emphasis on expansion of synthetics production is clearly justified. More and better synthetic materials are required to improve the range and quality of products for consumers and industry. Furthermore, synthetic materials have in recent years received increased attention from the military, who can use the heat-resistant, lightweight, and electrical properties of many synthetics in the manufacture of high-speed aircraft, missiles, and radar.

In addition, some types of rubber and plastics now are used

as fuel-binders in solid propellants for missiles. Khrushchev stated that it would have been impossible to launch the sputniks and the first artificial planet without both polymeric materials and synthetic fuels.

Isoprene rubber, which has properties very similar to those of natural rubber, is scheduled to comprise almost 25 percent of the total production of synthetic rubber in 1965. V. S. Fedorov, chairman of the newly formed State Committee for Chemistry since mid-1958, stated that fulfillment of the plan will enable the USSR to eliminate imports of natural rubber by 1965. Soviet officials have emphasized, however, that considerable technical difficulties must be overcome before commercial production of isoprene rubber can be attained.

**Mineral Fertilizers**

Very high goals have again been set for the mineral fertilizer industry. Although production in recent years has increased at a rate far below that required to reach the original 1964 goal of a capacity of 28,000,000 to 30,000,000 tons--a target announced by Khrushchev in 1953--the goal under the new plan is 35,000,000 tons in 1965, nearly three times 1958 production. Gosplan has indicated that supplementary funds will be required for this expansion.

Agricultural requirements for mineral fertilizers in 1965 will not be met, even if the plan is fulfilled. Agriculture is scheduled to receive 31,000,000 tons of fertilizers in 1965, but the minimum requirement at that time reportedly will be 45,000,000 tons. The allotment would, however, satisfy requirements for what are termed the basic "technical" crops--cotton, sugar beets, flax, tobacco, tea, and citrus fruits--and permit a fivefold increase in consumption of fertilizers for other crops.

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Petrochemicals

The Seven-Year Plan calls for vastly expanded use of petroleum and natural gas as raw materials for the chemical industry. In contrast with the American chemical industry, which derives a large share of its basic chemical output from these sources, the Soviet chemical industry has produced only limited quantities of a few chemicals--notably ethyl alcohol--from petrochemicals. The Soviet chemical industry's planned 19-fold increase in consumption of petroleum products and natural gas is a good indication of the magnitude of the new program.

Among the basic and intermediate chemicals scheduled to be derived wholly or partially from petrochemical sources are ethylene, propylene, acetylene, butadiene, phenol, ammonia, ethyl alcohol, and acetone. From these chemicals will be produced such items as plastics, synthetic rubber, synthetic fibers, fertilizers, and detergents.

The shift to production of chemicals from petroleum and natural gas should result in considerable savings to the economy. Conversion to the use of petrochemical raw materials in the production of synthetic rubber and nitrogen fertilizers alone may save more than 5 billion rubles (about \$1 billion) in 1959-65.

1958 Plan Results

Soviet chemical industry output reportedly increased 13 percent in 1958--a growth rate about equal to that in 1956 and 1957, but modest when compared to the annual rate of 16 to 17 percent required to fulfill the Seven-Year Plan. Overfulfillment of the plan was reported for the "basic types" of plastics and chemical fibers, but the terminology used suggests that the plan for total production of these items may have been underfulfilled. The target for mineral fertilizers, sulfuric acid, synthetic ammonia,

caustic soda, soda ash, synthetic rubber, and automobile tires was reportedly fulfilled ahead of schedule.

The 1958 plan for investment was underfulfilled by 15 percent, and only one third of the installations scheduled were put in operation. Apparently the greatest failures occurred in the construction of synthetic-rubber, fiber, and plastic plants.

Development of the petrochemical industry was slow in 1958. Although a number of pilot or experimental plants went into production, the introduction of petrochemical processes on a commercial scale apparently was limited to the conversion of part of the Stalinogorsk Chemical Combine to the use of natural gas as a source of hydrogen for the manufacture of ammonia.

Major Problems

The failure to achieve the planned level of investment in 1958 has jeopardized future production goals and indicates major problems in the industry. Moscow has stated that underfulfillment resulted principally from the following: lack of technical skills or data, shortages of equipment and materials, and unsatisfactory work by contractors.

The most difficult problem which the USSR must overcome to fulfill the Seven-Year Plan is the lack of technical skills and data. In petrochemicals especially, the Soviet Union is planning to overcome shortcomings by capitalizing on Western achievements.

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The second major difficulty is shortage of equipment. The USSR has stated that equipment shortages delayed completion of petrochemical synthetic rubber facilities at Sumgait and Voronezh and that construction of polyethylene production facilities

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was retarded for the same reason. Here again, the Soviet Union is planning to import entire plants from the West and in this connection has already arranged for the import of a large, highly automated tire plant and several fiber plants. Moreover, Moscow is pressing the European satellites--in particular East Germany, Hungary, and Poland--to supply much needed chemical equipment through the Council for Mutual Economic Assistance.

Unsatisfactory work by contractors probably is attributable

to lack of adequate engineering drawings and unfamiliarity with construction problems associated with relatively new fields of chemical processing.

In addition to the foregoing problems, the lack of adequate coordination between the petroleum industry--the supplier of raw material to the petrochemical field--and the chemical industry has retarded the latter's development in recent years.

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**MINORITY-LANGUAGE TRAINING IN THE USSR**

The educational reorganization under way in the Soviet Union has brought into sharp focus the problem of language training in those areas of the USSR where Russian is not the predominant spoken language. One of the Soviet regime's proudest boasts has been that it has provided education for its national minorities in their own languages. Written languages have been worked out for previously illiterate nomadic tribes, and in some areas there are two parallel school systems, one in the local language and one in Russian.

The immensity of this task, however, as well as Stalin's periodic emphasis on Russification, resulted in a very irregular distribution of local-language schools, especially above the elementary level.

in minority areas the local-language schools ordinarily "terminate" after seven years, but students can usually transfer to Russian schools in the same area. This may exaggerate the limitation of facilities for education given in languages other than Russian, but it does underline the fact that in some areas at least, a knowledge of

Russian is the only doorway to intermediate and higher education, as well as a prerequisite for career advancement after graduation.

The problem has been further complicated by the standardized Soviet school system. Children in non-Russian areas have been under pressure to become fluent in both the local language and Russian, but no more time is allotted for language instruction than in Russian-speaking areas, where only Russian is required.

All of these factors have inhibited the development of competence in the native language.

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A recent article on the situation in the Ukraine in an educational journal commented that Ukrainian grammar is taught only in grades five through seven and that, as a result, many students taking written tests in the Ukrainian language were not thinking in Ukrainian; they constructed sentences according to rules of the Russian language and then translated them into Ukrainian... mixing in Russian words.

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Although less forthright in their criticism, almost all of the recent republic writers' congresses have expressed similar concern about language deficiencies among young writers who are unable to express themselves grammatically in their native tongues.

Reorganization Proposals

The educational reorganization formally launched last fall added the strain of "increased vocational training" to a curriculum already overburdened in the minority areas with the language problem. Khrushchev's September memorandum proposed a general compulsory "seven- or eight-year" elementary school. His basic principle, often reiterated, was that all further education was to be accomplished in combination with productive work in the national economy.

Khrushchev also proposed three types of intermediate schools: two of them vocational schools not designed to lead to further schooling, and the third, combining academic and polytechnic training, leading to higher education. No one, however, has stated what percentage of students will attend the third-type schools.

Khrushchev's memorandum did not mention the problem of language training in minority areas, but once the subject of education had been raised, this problem was widely and heatedly discussed in those areas by educators, writers, party officials, and parents. They argued that the proposed seven- or eight-year general school should be lengthened to nine or even eleven years in non-Russian-speaking areas, on the grounds that the extra time was needed to teach pupils both the local language and Russian, and that

both should be compulsory for all students.

The November "Theses of the Party and Government on Education" suggested a compromise: parents could choose the language of instruction, and the individual student could take the alternate language as an additional course, provided he felt he could carry the increased academic load. Parents would thus be confronted with the choice of sacrificing either the child's cultural heritage or his future career advantages.

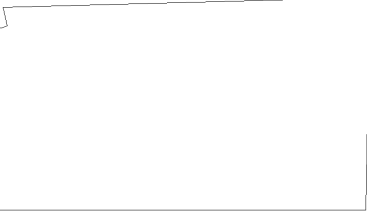
In late December, the national education law was passed by the USSR Supreme Soviet establishing the "basic principles" in the sphere of education. In general, the law followed the lines laid down in Khrushchev's September memorandum, providing for an eight-year general compulsory school and "increased labor training." Both the memorandum and the national law completely ignored the problem of minority language training. The individual republics were left to deal with the subject within the limits established by the "basic principles" in the national law.

The Republic Laws

Most republics followed the lead of the November "theses" requiring parents to choose the preferred language of instruction. The alternate language will be available as an additional subject if enough students request it.

Latvian schools, which have long required Lettish, Russian, and at least one other language, will apparently drop or skimp on some other academic subjects rather than force a choice of language. The republic law made no reference to the language

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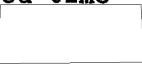
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 May 1959**problem. 

The Azerbaidzhani law gives parents the right to choose the language of instruction but did not specify whether the additional language is to be compulsory. The Azerbaidzhani premier hinted in a speech on the law that both might be required courses.

The heated public discussions and the regime's careful handling of the problem suggest that the issue of language training is a sensitive one. It is worth noting, however, that critics

unanimously accepted the teaching of both the local language and Russian and no one criticized the fact that Russian is a prerequisite for higher education and career advancement. The furor over the minority-language problem seems to have involved opposition to the reorganization itself as well as nationalist pride.

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The critics' basic concern is the amount of education which will be available to the average student. Uncertain that intermediate education will be available, they are all the more determined to maintain the level of education offered by the elementary school, and they fear that the apparent gain in an added eighth year of compulsory schooling will be negated by the increased time spent in labor training. 

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